



## A Message From the President

By Loretta Peto, CPA, ABV

**STOP! Please read this newsletter before you throw it away!**

It contains very useful information related to your profession.

Within the next year several changes will occur in the licensing and regulations of CPAs. After three years of exhaustive work by many dedicated CPAs and staff at the Arizona State Board of Accountancy, we finally saw legislation pass that updates much of the accountancy laws. Peer review is now a requirement for most CPA firm registrations. Substantial equivalency has been expanded to facilitate registration of CPAs from other states who relocate to Arizona. An ethics course has been added as required Continuing Professional Education. The rules for the CPA exam have been changed to reflect the computer based exam.

Within this newsletter are articles describing the various changes under the new law. The changes will be posted on the State Board of Accountancy website, [www.accountancy.state.az.us](http://www.accountancy.state.az.us). Please access this website for information. I strongly urge all CPAs to become familiar with the new law.

Aside from Arizona legislation, the State Board of Accountancy has been monitoring the developments under the Sarbanes-Oxley Act. This Act presents many challenges for CPAs who provide services to companies registered with the Securities and Exchange Commission. Much discussion has taken place as to whether the Act should be extended to cover non-public companies. The impact that the Act could have on non-public companies has not been fully analyzed. At the present time, the State Board of Accountancy is not taking a position on the applicability of the Act to non-public companies. We, instead, will be closely monitoring the implementation of the Act at the national level.

### Inside...

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# Meet The New President

## Loretta Peto, cpa, abv

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Loretta has been a member of the Arizona State Board of Accountancy since 2000 and became President of the Board on July 3, 2003. Loretta is a shareholder in the Tucson firm of Beach, Fleischman & Co PC where she focuses on tax planning and business consulting. Loretta also oversees the business valuation division of Oracle Capital Advisors, Ltd, a subsidiary of Beach, Fleischman & Co PC.

Loretta has been a CPA in Arizona since 1985. She received a Masters Degree in Accounting, with an emphasis in taxation, in 1984. After working in the tax department of Deloitte & Touche, she opened her own firm in 1991 in Tucson. In 2003 her firm merged with Beach, Fleischman & Co PC.

Loretta has been active in the accounting profession and has served on tax committees with the American Institute of Certified Public Accountants. She also has written tax articles for national publications, instructed accounting courses and is a regular speaker on accounting and tax issues in Tucson. ❖

### Ethics CPE To Be Mandated

With an eye toward the future, on June 13, 2003, the Board opened a rule-making docket for amendments to Arizona Administrative Code R4-1-453, regarding Continuing Professional Education (CPE). Targeted for implementation in July, 2004, the amendment will require ethics instruction as part of the CPE for every registrant.

This amended rule will require all registrants, as part of their CPE, to complete four (4) hours of CPE in ethics during the two-year period immediately preceding each biennial registration renewal. The four (4) hour of ethics shall include

a minimum of one (1) hour each of the following areas: 1) ethics related to the practice of accounting including the AICPA professional code of conduct, and 2) the Arizona Accountancy Board statutes and administrative rules. This requirement will not affect the current eighty or sixty-hour requirement.

It is anticipated the Board will review the proposed amendments to the rule at its October 6, 2003 Board meeting and vote to file a Notice of Proposed Rulemaking, which will allow for a thirty-day comment period on the proposed changes. Updated information will be provided on the website. ❖

## Extra! Extra!...Read All About It!

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When was the last time you heard that call from the street? Once upon a time, newspapers were sold on street corners. In order to "tell the public" that there was something "new and urgent" in the current edition, the boy would call out time and time again, "Extra, Extra...read all about it"!! So here we are.....calling out to you, our Arizona CPA's to provide something "extra" for your profession.

"Service to others is how I know I have evolved from just thinking of myself. What I am today is a man who is thinking of my community, my profession, and as a result.....the public as a whole. I know that I am taking part in improving the profession". —Florentino J. Gonzales, CPA, Board member since 1999.

The State Board will accept applications for CPA's to sit on its newest advisory committee beginning immediately. This committee is called the Peer Review Oversight Committee (PROC) and will assist the board in carrying out the statutory requirement that CPA's in Arizona have some form of Peer Review beginning July 1, 2004.

The committee will report to the board on the effectiveness of the program, recommend to the board procedures for fulfilling its role, including phase in procedures for implementing the peer review program, review all applications to sponsor peer review and recommend to the board approval of items related to the program.

Individuals should be Arizona CPA's who are familiar with the Peer Review Standards established by the AICPA or Peer Review Standards that are at least as stringent as those standards. The PROC will begin to meet to discuss infrastructure of the program and implementation procedures as soon as the board has approved the desired number of member applications.

Here is your chance to "improve the profession". Will you answer the call?

CPA's who are interested should forward their resume to Jim Dubé at the State Board office. The fax number is (602) 364-0903. ❖

# Enforcement Actions

## REVOCATION

No. 2001.066, 2001.102

**Al an Scott Young**

On January 13, 2003, the Arizona State Board of Accountancy implemented the court order in Pima County Superior Court [case number CR2001-3077], which ordered the revocation of Mr. Young's CPA certificate.

## ORDER OF REVOCATION

No. 2003.028

**Willis Vance Horton**

On May 12, 2003, following an administrative hearing, the Arizona State Board of Accountancy issued an Order of Revocation to Willis Vance Horton. The Order of Revocation arose from Mr. Horton's unprofessional conduct in violation of A.R.S. 32-741(A)(1), (A)(3); and A.A.C. R4-1-456(A)(5) and (B).

## ORDER ACCEPTING RELINQUISHMENT

No. 2002.019

**Michael S. Edelen**

On April 24, 2003, the Arizona State Board of Accountancy issued an Order of Relinquishment of Certificate in Lieu of Formal Disciplinary Proceedings to Michael S. Edelen. The Order of Relinquishment arose from Mr. Edelen's unprofessional conduct in violation of A.R.S. 32-741(A)(2). The Order also served as relinquishment of his firm's registration.

## ORDER ACCEPTING RELINQUISHMENT

No. 2003.007

**John V. Back, Jr.**

On August 13, 2003 the Arizona State Board of Accountancy issued a Decision and Order (by Consent) requiring the Relinquishment of Certificate in Lieu of Formal Disciplinary Proceedings to John V. Back, Jr. The Order of Relinquishment arose from Mr. Back's unprofessional conduct in violation of A.R.S. § 32-741(A)(4) and A.R.S. § 32-741(A)(6).

## DECISION AND ORDER (BY CONSENT)

No. 2000.048-B

**James L. Green**

On June 16, 2003, the Arizona State Board of Accountancy entered into a Consent Order with James L. Green. The Consent Order arose from Mr. Green's failure to comply with the CPE requirements of his July 10, 2001 Consent Order.

The June 16, 2003 Consent Order requires Mr. Green to take and successfully complete the Ethics for CPA's course offered by Financial Education Resources. The Consent Order is to remain in effect until he successfully completes the course.

## POLICY STATEMENT ON ENFORCEMENT ACTIONS

It is the policy of the Board to publish all final disciplinary orders. Since open discussion of disciplinary actions has an educational value, the board believes such publication to be in the public interest.

Although every effort is made to provide correct information, you should check with the Board before making a decision based on this information. Some provisions of an order may not be summarized here and the listing does not reflect pending appeals, if any.

**Consent Order** - Order entered into by the Board with the consent of the respondent who agrees with all the terms and provisions of the consent order. Consent orders are normally entered into without a formal hearing.

**Order** - Order entered into following a formal hearing in which the Board determines the terms and provisions without the respondent's consent. ❖

## DECISION AND ORDER (BY CONSENT)

No. 2000.143

**Allan G. Hutchison**

On August 14, 2003, the Arizona State Board of Accountancy entered into a Consent Order with Allan G. Hutchison. The Decision and Order (by Consent) arose from Mr. Hutchison's unprofessional conduct in violation of A.A.C. R4-1-455(B), A.A.C. R4-1-455.01(G), A.A.C. R4-1-455.03(A) & (E) and A.A.C. R4-1-455.04

The August 14, 2003 Consent Order requires Mr. Hutchison to take and successfully complete eight (8) hours of classroom education in tax practice management & ethics and reimburse the Board for investigative costs. The Consent Order is to remain in effect for one year.

## DECISION AND ORDER (BY CONSENT)

No. 2002.036

**David Oase**

On September 3, 2003, the Arizona State Board of Accountancy entered into a Consent Order with David Oase. The Decision and Order (by Consent) arose from Mr. Oase's unprofessional conduct in violation of A.A.C. R4-1-455.01(A) & (G), A.A.C. R4-1-455.03(A)(1) & (E) and A.A.C. R4-1-455.04.

The September 3, 2003 Consent Order requires Mr. Oase's license to be placed on probation for twelve (12) months, for Mr. Oase to take and successfully complete eight (8) hours of classroom education in tax practice management and ethics and to reimburse the Board for investigative costs. The Consent Order is to remain in effect until such time as he provides written proof of his compliance with the terms of the Order.

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# Senate Bill 1062 Becomes A Law

As of September 18, 2003, there will be changes to the Arizona Accountancy Law. The changes are the result of recommendations from the Arizona Auditor General and changes to the Uniform Accountancy Act, and will affect both registrants (individual and firm) and applicants (examination and certification). The following provides a summary of some of the changes to the law; it does not address all the changes. Registrants and applicants are encouraged to read the new statute in its entirety to determine how the changes will affect them. Beginning on September 18, 2003, the new statute will be accessible through the Board's website ([www.accountancy.state.az.us](http://www.accountancy.state.az.us)).

## Conduct That Is Subject To Discipline By The Board

The conduct and activities that are listed under A.R.S. §32-741(A), which could subject a registrant to disciplinary action by the Board, has been expanded to include the following:

13. Knowingly making any false or misleading statement or verification in support of an application for a certificate, registration or permit filed by another person.
14. Knowingly making a false or misleading statement:
  - (a) to the board or its designated agent.
  - (b) on a form required by the board.
  - (c) in written correspondence to the board.
15. Failing to respond or furnish information in a timely manner to the board or its designated agent, if the information is legally requested by the board and is in the registrant's possession or control.

## Automatic Suspension Of Certificate For Non-Renewal

Under the new statute, the suspension for non or late renewal under A.R.S. §32-741(C) becomes automatic. If a registrant's renewal with payment is not received by the last business day of the month of renewal, the certificate will be automatically suspended on the first day of the subsequently month. Registrants will no longer receive late letters reminding them to renew, but instead will receive suspension orders from the Board and a letter explaining how to reinstate their certificates. Please note, the suspension is automatically vacated when the renewal form and all past due fees are received by the Board. Registrants should be aware that continuing to use the CPA designation after or while suspended constitutes a class 2 misdemeanor, and can result in disciplinary action by the Board.

Additionally, a certificate that has been suspended pursuant to A.R.S. §32-741(D), for failure to comply with the professional education requirements, will now expire if it is not reinstated within one year of the date of suspension.

## Cancellation Of Certificate

A registrant who does not wish to renew their certificate or go on inactive status will now be able to cancel their certificate. A.R.S. §32-730(I), reads "a certified public accountant or public accountant who is not actively engaged in the practice of accounting and who does not want to renew or place the certificate on inactive status may request that the certificate be canceled by submitting a written request on a form approved by the Board. This subsection does not apply if disciplinary proceedings are pending against the certified public accountant or public accountant."

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## DECISION AND ORDER (BY CONSENT)

No. 2003.076

Shane E. Peck

On September 9, 2003, the Arizona State Board of Accountancy entered into a Consent Order with Shane E. Peck. The Decision and Order (by Consent) arose from Mr. Peck's violation of A.A.C. R4-1-346 and A.R.S. § 32-730(A) & (D).

The September 9, 2003 Consent Order requires Mr. Peck to submit completed registration renewal forms with appropriate late fees, in addition to an assessed civil money penalty of \$500. If the registrant fails to submit full payment within sixty (60) days of the Consent Order's effective date, the matter will return to the Board's agenda.

## DECISION AND ORDER (BY CONSENT)

No. 2003.010

Thomas J. Nichols

On August 26, 2003, the Arizona State Board of Accountancy entered into a Consent Order with Thomas J. Nichols. The Decision and Order (by Consent) arose from Mr. Nichols' unprofessional conduct in violation of A.R.S. § 32-741(A)(4), A.R.S. § 32-741(A)(9), A.A.C. R4-1-455.03(A)(2), A.A.C. R4-1-455.01(G) and A.A.C. R4-1-455.04.

The August 26, 2003 Consent Order requires Mr. Nichols' license to be placed on suspension for six (6) months, followed by two (2) years of probation. Mr. Nichols is required to notify each of his existing clients within thirty (30) days of the effective date of the Order, take and successfully complete eight (8) hours of CPE in the area of professional ethics in a classroom setting and pay restitution to the complainant as well as all costs relating to the investigation. ❖

(Continued On Page 5)



# Senate Bill 1062 Becomes A Law

(Continued From Page 4)

## Board Investigations And Confidentiality Of Complaints

The statute allows for more transparency in the investigation process. A.R.S. §32-742.01 outlines the investigation procedure for the Board. In summary, the Board will conduct an initial analysis on a complaint to determine if there is reasonable cause to open an investigative file. In addition, new language in A.R.S. §32-749(C) allows for the public disclosure of a pending investigation file on a complaint and the nature of the complaint, but the details of the complaint and investigation will remain confidential.

## Ownership And Custody Of Working Papers And Records

A.R.S. §32-744, establishes a requirement that a registrant retain all records pertaining to legal action for three years after the resolution of the action and the requirement to provide the records to the Board during an investigation.

## Qualifications For Certification - 150 Hour Educational Requirement Transition

As of June 30, 2004, applicants for certification will be required to show that they have completed 150 semester hours of education. However, to transition into this requirement, A.R.S. §32-721(D) allows an applicant who has passed the Uniform CPA Examination by June 30, 2004, to avoid the 150 hour requirement if: they complete the two year work experience requirement or have an applicable master's degree and one year work experience by November 30, 2005; and submit a completed application to the Board by December 31, 2005.

## Certification by Reciprocity And Substantial Equivalency

The new statute provides a streamlined approach for an individual applying for certification by reciprocity. A reciprocity applicant will need to show that their qualifications are substantially equivalent to those required by Arizona. A.R.S. §32-726 defines substantial equivalency. Under the statute there are essentially four ways a person can be deemed to be substantial equivalent. Below is a brief description of each. The full requirements can be found in the statute.

- 1) Have a license or certificate from a state whose requirements are determined by the Board to be substantial equivalent.
- 2) Meet the certification requirements of A.R.S. §32-721.
- 3) Have a baccalaureate degree or higher consisting of 150 semester hours of education,
  - a. Taken at least 24 semester hours in accounting courses,
  - b. Taken at least 18 semester hours in related courses,
  - c. Passed the Uniform CPA Examination,
  - d. Been employed at least 3 years in the practice of accounting.

- 4) Have a baccalaureate degree or higher,
  - a. Taken at least 24 semester hours in accounting courses,
  - b. Taken at least 18 semester hours in related courses,
  - c. Passed the Uniform CPA Examination,
  - d. Been employed for at least 5 of the last 10 preceding years in the practice of accounting.

## Limited Reciprocity And Incidental Practice

A.R.S. §32-725 provides the qualifications for limited reciprocity and incidental practice. A person whose principal place of business is not Arizona can be granted limited reciprocity if that person, is deemed to be substantially equivalent; notifies the Board of the intent to enter the state; affirms to the Board by affidavit that the applicant is in good standing in each state in which the applicant holds a certificate or license; designates an address in Arizona for the service of process and pays the required fee. A person who is granted a certificate of limited reciprocity can hold himself out as a CPA and engage in the practice of accounting, but must comply with the Board's statutes and rules and be subject to the Board's jurisdiction. A certificate of limited reciprocity is valid for 12 months, and may be extended by the Board for an additional 6 months.

A person whose principal place of business is not Arizona may practice and hold himself out as a CPA in Arizona for no more than 60 days without having to be granted limited reciprocity, if, the person is acting in the capacity of a partner, director, member or employee of a firm registered with the Board; the person notifies his client in Arizona that he is subjected to the jurisdiction of the Board; and the client acknowledges the notification in writing or the person is sponsored by a registrant or firm and the sponsor agrees in writing to be liable for the person's acts.

## Other Notable Changes

- 1) A.R.S. §32-703(8) allows for peer review pursuant to rules adopted by the Board on a general and random basis of the professional work of a registrant engaged in the practice of accounting.
- 2) A.R.S. §32-723 allows for the transition to the computer-based Uniform CPA Examination. ❖

# Address Change? Let Us Know!

(Please Print)

Certificate Holder: \_\_\_\_\_  
Last Name Jr./III First Middle

Certificate Number: \_\_\_\_\_

(Please Only Add Information That Has Changed)

Current Home Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Business Name: \_\_\_\_\_

Current Business Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Current Daytime Phone: \_\_\_\_\_

Send My Mail To: \_\_\_\_\_ Home \_\_\_\_\_ Business

Signature: \_\_\_\_\_ Date \_\_\_\_\_

Mail to: Arizona State Board of Accountancy  
100 N. 15th Avenue, Suite 165, Phoenix, AZ 85007; Fax: (602) 364-0903

**ASBA**  
update

The ASBA Update is published two times a year by the Arizona State Board of Accountancy, 100 N. 15th Avenue, Suite 165 - Phoenix, Arizona 85007. Telephone 602.364.0900. Opinions expressed in articles by contributors are not necessarily those of the Board of Accountancy.

**VALERIE M. ELLIOTT, EXECUTIVE DIRECTOR**

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Term Expires: July 3, 2006

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Term Expires: July 3, 2004

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Term Expires: July 3, 2004

Member

William D. Baker, Attorney

Term Expires: July 3, 2004

Member

Earl R. Shivers, CPA

Term Expires: July 3, 2008

Member

**GEORGE L. BEARD, DEPUTY DIRECTOR**

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